

Q4 Economic Update 2025



Africa – Q4 Developments

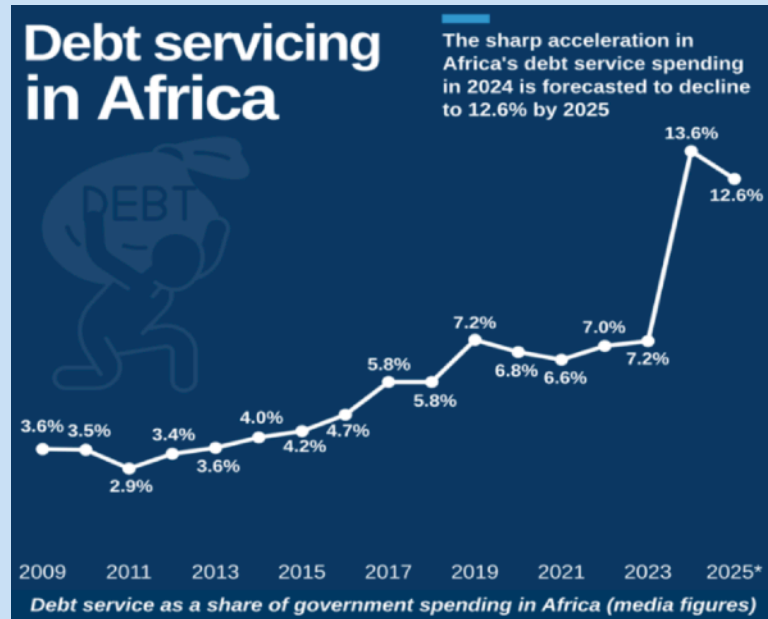
African economies predominantly continued to struggle with currency weakness and persistent inflation across Q4 2025, a phenomenon which has plagued the continent for decades, reflecting a difficult mix of external pressures, imported food and fuel costs, as well as domestic policy constraints.

Nigeria's naira experienced renewed volatility after earlier attempts to liberalise the exchange rate, contributing to high inflation and increased costs for households and businesses alike. Similar pressures persisted in Egypt, where FX shortages and high external debt servicing needs remained one of the central prevailing issues for the country's leaders. Moreover, currency weakness and other economic challenges across the continent kept inflation elevated in many of the leading African economies including Ghana, South Africa, Egypt, Nigeria & Kenya, constraining the easing of monetary policy despite slowing domestic growth.

As a result, central banks in the region maintained a cautious position, balancing the need to anchor inflation expectations with concerns about tightening financial conditions and sluggish economic momentum.

As African countries continue efforts to modernise and accelerate economic development, many find themselves in positions whereby they must accrue debt on imports to sustain their economy and growth which leaves them extremely vulnerable to fluctuations in borrowing costs. Q4 highlighted the consequences of this ongoing phenomenon as continued difficulties in sovereign debt markets persisted, leading to several countries engaging in negotiations with the IMF or other international creditors to restore fiscal stability.

Countries such as Ghana and Zambia, who have long had challenges with establishing sovereign debt security, made progress on restructuring agreements, aiming to reduce debt-servicing burdens and stabilise long-term financing conditions. Meanwhile, Kenya and Ethiopia faced increasing external repayment pressures, prompting renewed discussions around fiscal consolidation, revenue reform, and concessional financing. It is clear reforms are underway across multiple economies, but the region's overall debt environment remains fragile.



Africa's debt ratio as a fraction of government spending. Source: World Bank

Resource-rich economies benefited from firmer commodity prices, supporting fiscal revenues in countries like Angola and Côte d'Ivoire. At the same time, East African economies such as Rwanda and Tanzania continued to post relatively strong growth driven by infrastructure investment and service-sector expansion.

In contrast, South Africa's economy remained subdued, constrained by persistent energy shortages, logistical bottlenecks and ongoing inflation. This divergence underscores the region's uneven economic outlook. Countries with coherent economic agendas and diversified economic bases are experiencing more resilient momentum, while economies heavily dependent on commodity cycles, imported goods, or weaker fiscal positions continue to face significant challenges.

Americas – Q4 Developments

Across Q4, the US economy continued to show signs of cooling inflation while maintaining relatively resilient growth. Headline inflation steadily decreased across the quarter, alleviating pressure on households and businesses while reinforcing expectations that the Federal Reserve has reached the peak of its tightening cycle. Additionally, Labour markets have also softened gradually which has stabilised wage growth driven inflation. As widely anticipated, the Federal Reserve cut rates to a 3-year low after a divisive meeting, taking the benchmark rate to between 3.5% and 3.75%.

Jay Powell further hinted that the bar for subsequent rate cuts in the year was high.

Month	CPI	Core CPI	PCE	Core PCE	Updated
December 2025	2.92	2.99	2.85	2.93	12/12
November 2025	2.99	2.95	2.87	2.88	12/12
October 2025	2.96	2.99	2.71	2.76	12/12

US inflation Q4, Year-Over-Year Percentage. Source: Federal Reserve Bank of Cleveland

This combination of easing inflation and stable growth improved market sentiment during the quarter, supporting both equity and fixed income markets. However, central bankers remained cautious, emphasising the need to avoid reigniting inflationary pressures through premature policy easing.

Elsewhere in the Americas, conservative hardliner José Antonio Kast won decisively in Chile's recent elections. He is set to become the country's most right-wing president in 35 years of democracy, shifting one of Latin America's wealthiest nations to the right. His firm positions on immigration and crime resonated with voters, as did his ambitious plans to curb government excess, including a pledge to cut \$6bn in public spending within 18 months. He has also emphasized an economic agenda focused on reducing regulation and lowering taxes to stimulate growth.

Europe – Q4 Developments

Economic challenges persisted across the Atlantic during the quarter. In the UK, unemployment rose to 5.1%, and there was continued deceleration in wage growth in the three months to October. The confluence of these factors, alongside the broader macroeconomic picture, cemented the Monetary Policy Committee's decision to cut rates by 25 basis points to 3.75%.

The eurozone entered Q4 with muted economic momentum, as high borrowing costs, weak consumer confidence and subdued industrial activity weighed on growth. While inflation continued to fall across

much of the euro area, progress was uneven, with services inflation remaining relatively prominent in France, Germany and Italy, some of the wealthiest nations in Europe. Nevertheless, this disinflationary trend allowed the European Central Bank to maintain a cautious pause after previously cutting rates (sooner than the Fed), but without committing to aggressive rate cuts.

Overall the outlook remained fragile, particularly in Germany and France, where manufacturing output and business sentiment struggled. Europe has not managed to capture the tech and AI boom that its American and Asian counterparts have benefitted from. As a result, Europe lagged behind other major regions in terms of growth and market performance with the S&P 500 continuing to be a north star.



Q4 also highlighted ongoing fiscal and political challenges across Europe. Government budget constraints, particularly in highly indebted countries - such as Italy and France, who have debt GDP ratios of 140% and 110%, respectively - limited the scope for large-scale fiscal stimulus.

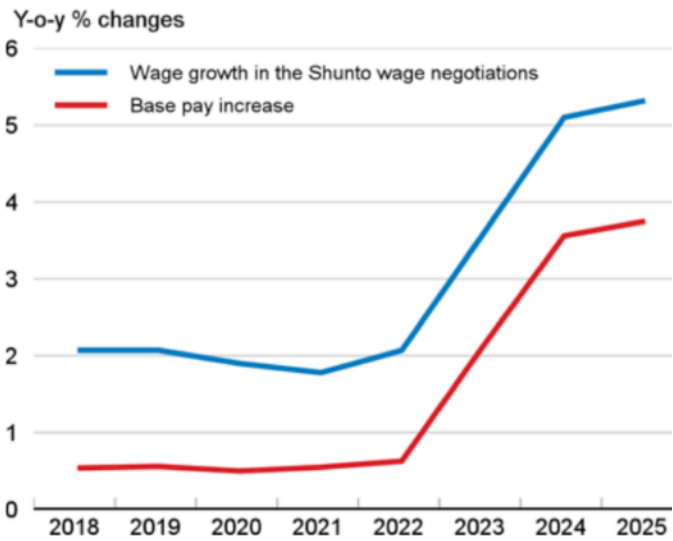
At the same time, political uncertainty in several countries added to investor caution. Italy and Germany battled with establishing effective coalitions in their respective governments. France saw its 5th Prime Minister in 2 years resign over pension reforms. Such political uncertainty in leading European nations is contributing to a lack of economic leadership, direction, and impetus as well as relatively muted capital flows into the region.

Asia – Q4 Economic Developments

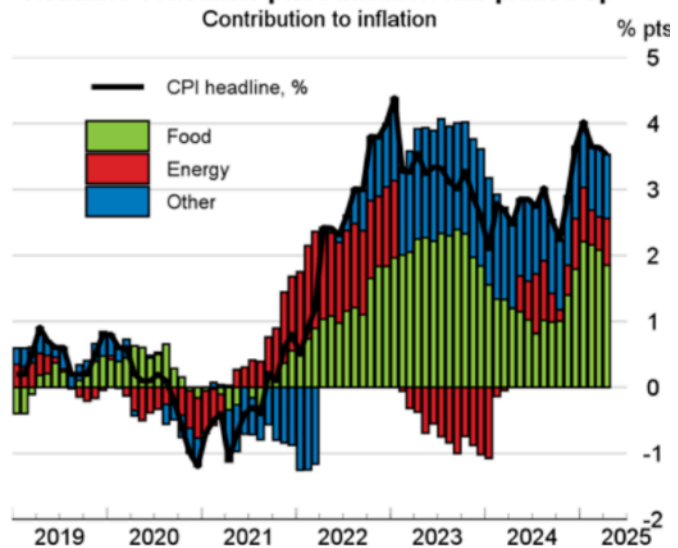
China's economy continued to face stuttered progress in Q4, with weak domestic demand and ongoing stress in the property sector subduing growth. While policymakers introduced targeted stimulus measures such as cutting reserve requirement ratios for banks and reducing down payment requirements for first and second-time home buyers, these actions fell short of a broad-based stimulus package which some analysts believe is necessary to reinvigorate the Chinese economy. As a result, growth remained modest relative to historical norms, and investor sentiment toward Chinese assets remained cautious despite pockets of strength in technology and manufacturing exports.

Japan stood out during Q4 as the Bank of Japan continued its gradual shift away from ultra-loose monetary policy which saw the Bank of Japan employ negative interest rates for several years. Rising wages and stable inflation allowed policymakers to adjust fiscal and monetary policy, supporting the yen while maintaining financial conditions conducive to sustainable growth. Japanese equities benefited from improved corporate governance reforms, rising shareholder returns and the country's role in global technology and automation supply chains, all of which contributed to strong economic performance in Q4 and a generally positive economic outlook going forward.

Nominal wage growth will continue to increase¹



Headline consumer price inflation has picked up



Japanese wages and CPI pick up in 2025. Source: OECD

Elsewhere in Asia, emerging economies such as India and parts of Southeast Asia continued to show relatively strong growth driven by domestic demand, infrastructure spending and trade diversification. Increased investment flows into semiconductor and AI supply chains in Taiwan and South Korea reinforced Asia's strategic importance in global technology production, boosting economic growth and its technological equities markets.



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